

April 11, 1997

TO: Senator Snyder, Chair
Senator McDonald
Representative Dunshee
Representative Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: APRIL 10, 1997 REVENUE COLLECTION REPORT

General Fund-State collections were strong in the March 11- April 10 collection period. Overall receipts in this period were \$32.9 million higher than expected. Revenue Act (retail sales, business & occupation, use and public utility taxes) collections accounted for the a little more than half of this month's positive variance , exceeding the estimate by \$17.5 million. A much larger than average estate tax payment accounted for the remainder of this month's variance. This is the second consecutive month of strong collection growth, after a relatively weak fourth quarter. Strong revenue performance the last two months indicates that the economy is healthy and growing.

Revenue act collections in the March 11- April 10 period (primarily reflecting February 1996 business activity) were up 8.1 percent from a year ago. This is despite 1996 legislative changes reducing the sales tax base. Adjusting for legislation, Revenue Act growth was a strong 9.4 percent. Although this month's increase was a little less than last month's 12 percent year-to-year increase, it is well above fourth quarter's 6.5 percent gain. Higher than expected growth supports other evidence of a strong economy. Nationally, retail sales improved in February and both income and employment are continuing to grow. At the state level, the unemployment rate fell in February to 5 percent seasonally adjusted, the lowest since 1990. In addition, consumer confidence remains at a very high level and real estate activity in several areas of the state is very strong.

Preliminary data on taxes paid shows broad based strength in February business activity. Non retailing was particularly strong after several months of weakness. Early data indicate mid- single digit increase in taxes paid by the retailing sector, lead by double digit increases in the hardware/building materials, and in the furniture, household furnishings and electronics sectors. Outside retailing , the manufacturing and construction sectors appeared to have posted double digit gains.

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Other General fund taxes collected by the Department of Revenue were \$14.6 million above the estimate for the month. Virtually this entire amount is attributable to a much higher than normal estate tax payment. Estate tax collections totaled \$19.3 million in March, about 3.5 times the average for a month. A little more than \$14 million of this is the payment of taxes on one very large estate and can be considered a wind-fall. Other taxes in the aggregate were close to the estimate for the month, with a little weaker than expected cigarette, property and liquor tax payments, nearly offset by higher than expected real estate excise and IMR (included in the "other" category) tax payments.

Real estate excise activity, especially in the Puget Sound and Clark county regions, continues strong. Statewide real estate activity based on closing in February (March receipts to the state) was 29.1 percent above the year-ago level. This follows a strong, 21.9 percent increase in January and a healthy 14.5 percent increase in calendar 1996. The number of transactions, however, were again weak in February, declining 4 percent from the year-ago level. Activity based on February data continued to show the greatest strength in the Puget Sound and Clark county areas. Taxable real estate excise for the latest month was up 61 percent in King county, 51 percent in Snohomish county and 17.8 percent in Pierce county and 36.4 percent in Clark county. Activity outside the Puget Sound area and Clark county declined 11 percent in February.

Other agencies collections were \$0.8 million above the forecast in March. Department of Licensing's General Fund collections were \$0.8 million more than the estimate while lottery General Fund deposits were about as expected following a major reduction to the forecast of lottery transfers in March.

The attached Table 1 provides a comparison of collections with the forecast for the March 11 - April 10, 1996 collection period and cumulatively for the entire fiscal year. The variance for the month is virtually identical to the fiscal year-to-date variance in Table 1 because the monthly estimates based on the March forecast reflect actual collections through March 10, 1997. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
April 10, 1997 Collection Report - Based on the March 1997 Forecast
1995-97 Biennium - Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
March 11 - April 10, 1997				
Department of Revenue-Total	\$516,622	\$548,713	\$32,091	6.2%
Revenue Act** (1)	465,583	483,105	17,522	3.8%
Non-Revenue Act(2)	51,040	65,608	14,568	28.5%
Liquor Sales/Liter	5,533	5,262	(271)	-4.9%
Cigarette	6,347	6,038	(309)	-4.9%
Property (State School Levy)	11,703	9,595	(2,108)	-18.0%
Estate	4,173	19,304	15,131	362.6%
Real Estate Excise	19,513	20,743	1,231	6.3%
Timber (state share)	0	0	0	NA
Other	3,771	4,666	895	23.7%
Department of Licensing (2)	35,500	36,269	769	2.2%
Lottery (2)	5,400	5,395	(5)	-0.1%
Total General Fund-State***	\$557,522	\$590,377	\$32,855	5.9%
Cumulative Variance for the Fiscal Year (July 11- April 10, 1997)3				
Department of Revenue-Total	\$5,913,581	5,945,673	32,092	0.5%
Revenue Act** (3)	4,915,591	4,933,114	17,523	0.4%
Non-Revenue Act(4)	997,990	1,012,559	14,569	1.5%
Liquor Sales/Liter	56,860	56,588	(272)	-0.5%
Cigarette	52,889	52,581	(309)	-0.6%
Property (State School Levy)	538,574	536,466	(2,108)	-0.4%
Estate	58,074	73,205	15,131	26.1%
Real Estate Excise	201,213	202,443	1,230	0.6%
Timber (state share)	20,122	20,122	0	0.0%
Other	70,258	71,155	897	1.3%
Department of Licensing (4)	315,988	316,757	769	0.2%
Lottery (4)	67,560	67,555	(5)	0.0%
Total General Fund-State***	\$6,297,129	\$6,329,985	\$32,856	0.5%

1 Collections March 11 -April 10, 1997. Collections primarily reflect February 1997 activity of monthly taxpayers.

2 March 1-31, 1997 collections.

3 Cumulative collections, estimates and variance for Fiscal 1997; (July 11 - April 10, 1997 & revisions to history.)Based on the 3/97 forecast.

4 Cumulative collections, estimates and variance for fiscal 1997; (July - March 1997 and revisions to history.) 3/97 forecast.

* Based on the March 1997 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility and tobacco products taxes, as well as penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from major collecting agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 99% of total General Fund-State.

TABLE 2
March 10, 1997 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
February 11 - March 10 1997				
Department of Revenue-Total	\$531,951	\$531,951	\$0	0.0%
Revenue Act (1)	479,227	479,227	0	0.0%
Non-Revenue Act(2)	52,724	52,724	(0)	0.0%
Liquor Sales/Liter	5,559	5,559	0	0.0%
Cigarette	4,551	4,551	0	0.0%
Property (State School Levy)	3,851	3,851	0	0.0%
Estate	3,328	3,328	0	0.0%
Real Estate Excise	20,494	20,494	0	0.0%
Timber (state share)	6,906	6,906	(0)	0.0%
Other	8,034	8,034	(0)	0.0%
Department of Licensing (2)	33,122	31,802	(1,320)	-4.0%
Lottery (2)	7,292	7,292	(0)	0.0%
Total General Fund-State***	\$572,365	\$571,045	(\$1,320)	-0.2%
Cumulative Difference: Nov. 11 - March 10, 1997 & Revisions to history.				
Department of Revenue-Total	2,881,214	2,881,225	\$11	0.0%
Revenue Act (3)	2,191,504	2,191,504	(0)	0.0%
Non-Revenue Act(4)	689,710	689,721	11	0.0%
Liquor Sales/Liter	27,174	27,174	0	0.0%
Cigarette	21,685	21,685	(0)	0.0%
Property (State School Levy)	479,788	479,788	0	0.0%
Estate	21,230	21,230	0	0.0%
Real Estate Excise	87,245	87,245	0	0.0%
Timber (state share)	14,384	14,384	0	0.0%
Other	38,204	38,215	11	0.0%
Department of Licensing (4)	133,393	132,072	(1,321)	-1.0%
Lottery (4)	32,462	32,462	0	0.0%
Total General Fund-State***	\$3,047,069	\$3,045,760	(\$1,309)	0.0%

P Preliminary data.

R Revised data.

1 Collections February 11 - March 10, 1997. Collections primarily reflect January 1997 activity of monthly taxpayers.

2 February 1-28, 1997 collections.

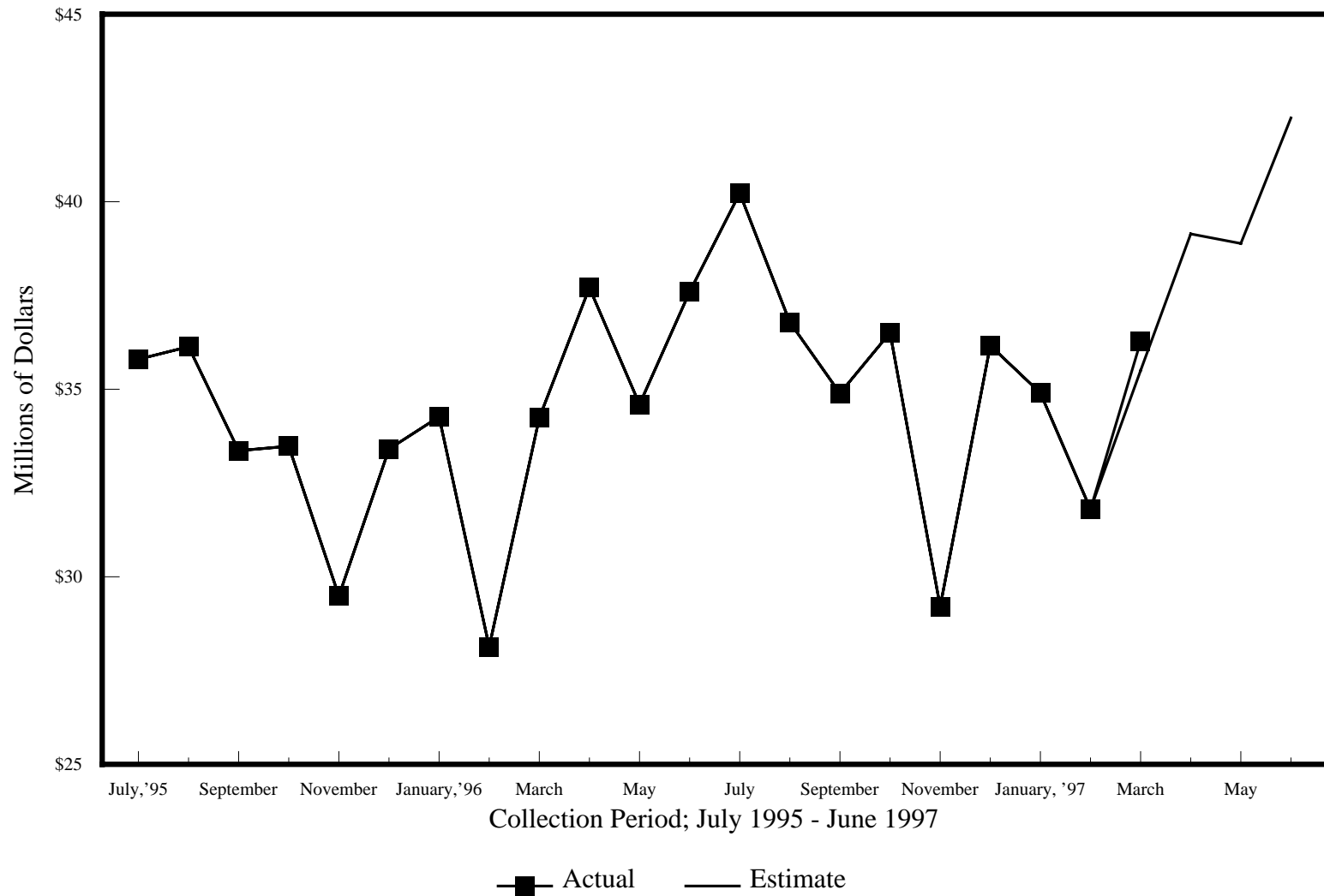
3 Cumulative collections, preliminary and revised: November 11 - March 10, 1997

4 Cumulative collections, preliminary and revised: November - February 1997 & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

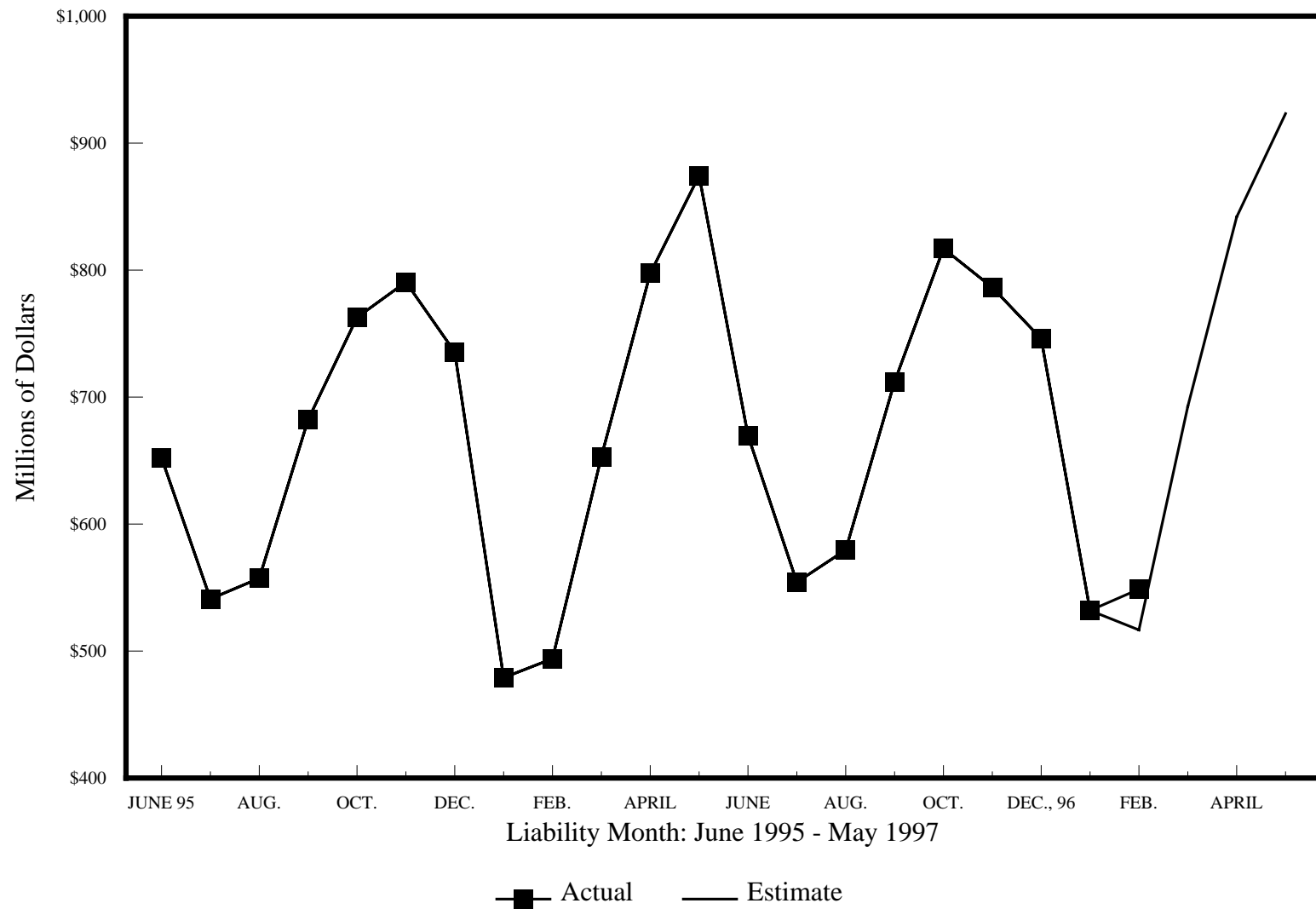
Dept. of Licensing: General Fund - Actual Vs. Estimate

1995-97 Biennium - 3/97 Forecast



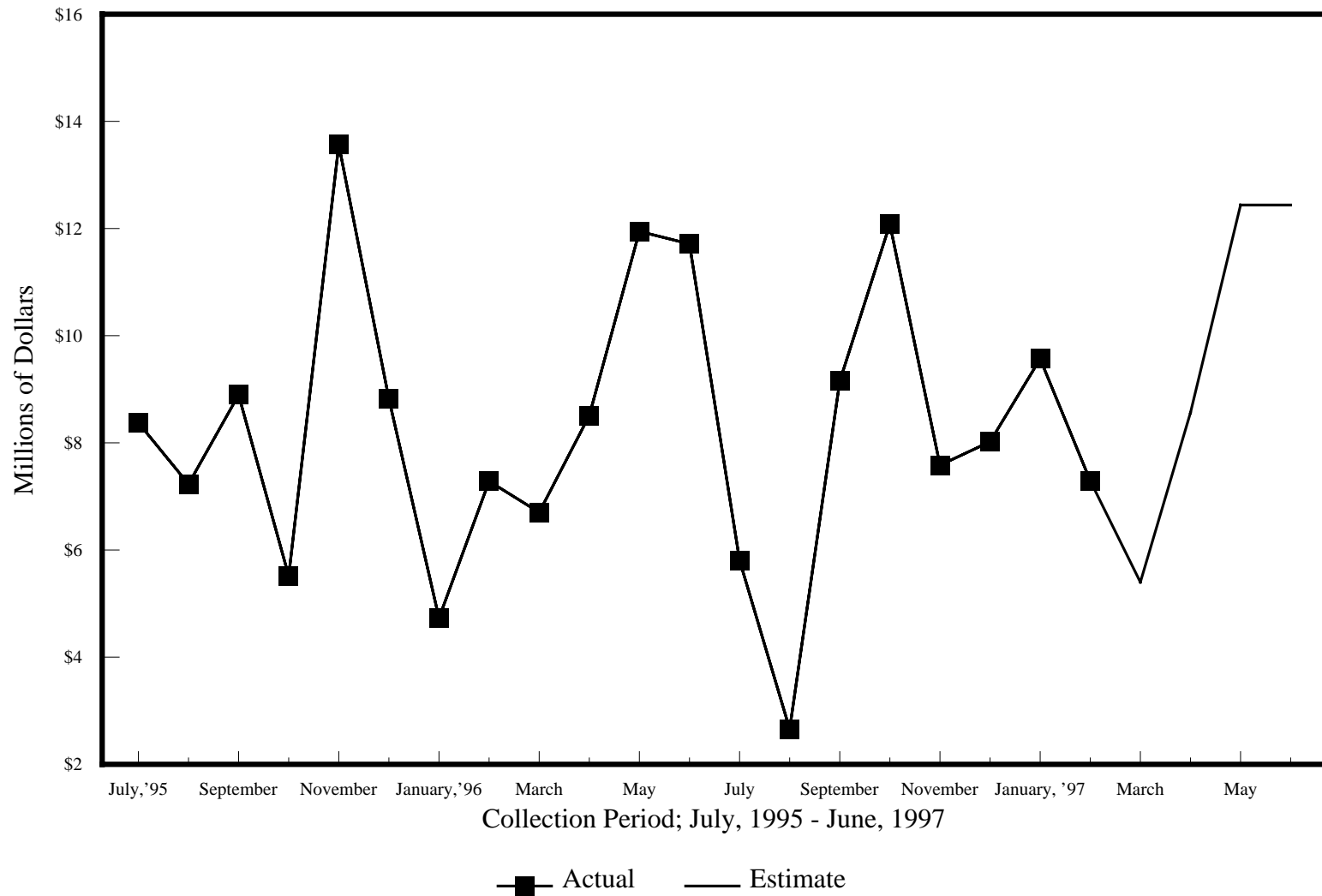
Department of Revenue - General Fund: Actual Vs. Estimate

1995-97 Biennium - 3/97 Forecast



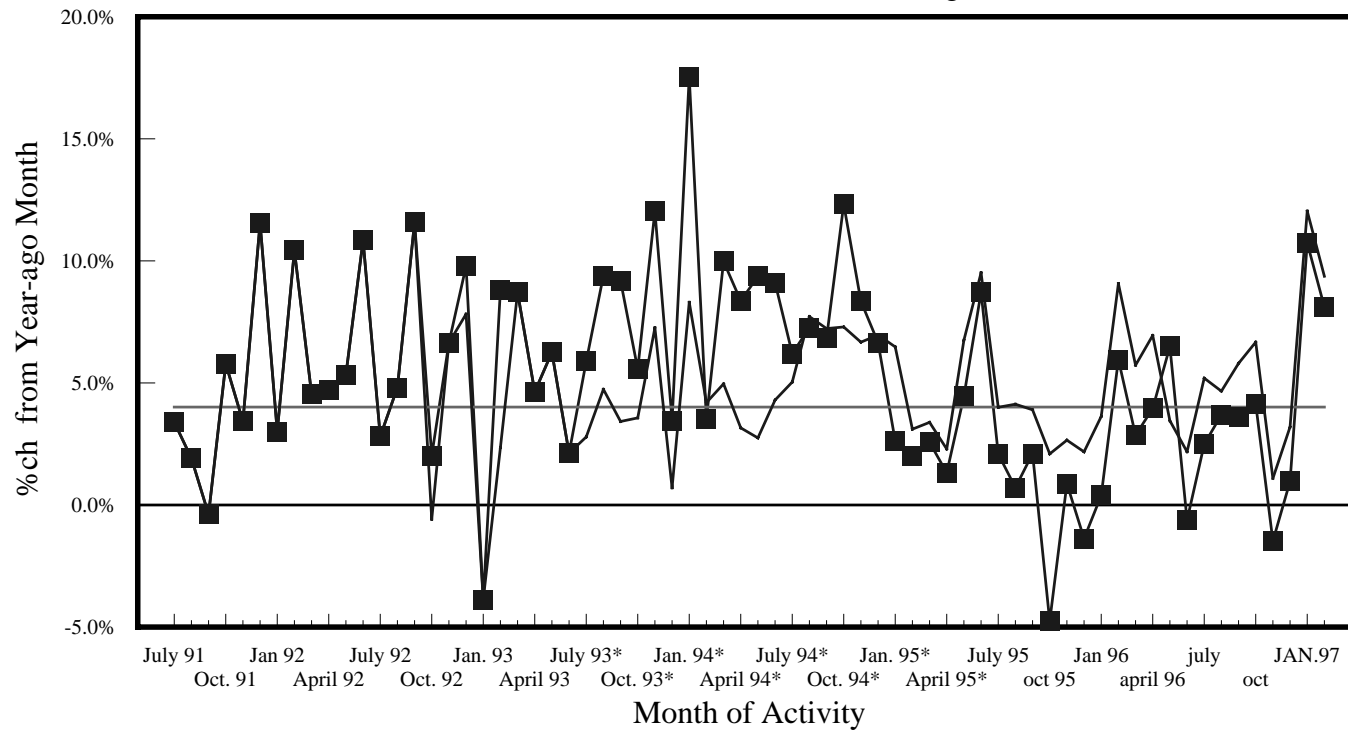
Lottery General Fund Transfers: Actual Vs. Estimate

1995-97 Biennium - 11/96 Forecast



Revenue Act Net Collection Growth

Year over Year Percent Change



■ %CH from year-ago month

— Ave. Growth for fy 94: 4.0% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation

* Beginning July 1993 includes impact of new legislation, 1993 session;

beginning 7/94 includes impact of 1994 legislation; beginning 7/95 includes impact of 1995 legislation.